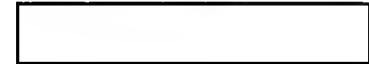


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DIRECTORATE OF  
INTELLIGENCE

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AUSTRALIA: The election of an outspoken, anti-US Labor senator as chairman of the key parliamentary committee on foreign affairs and defense could further complicate US-Australian relations. It will not, however, endanger continued control by moderates over the Australian Labor Party and government.

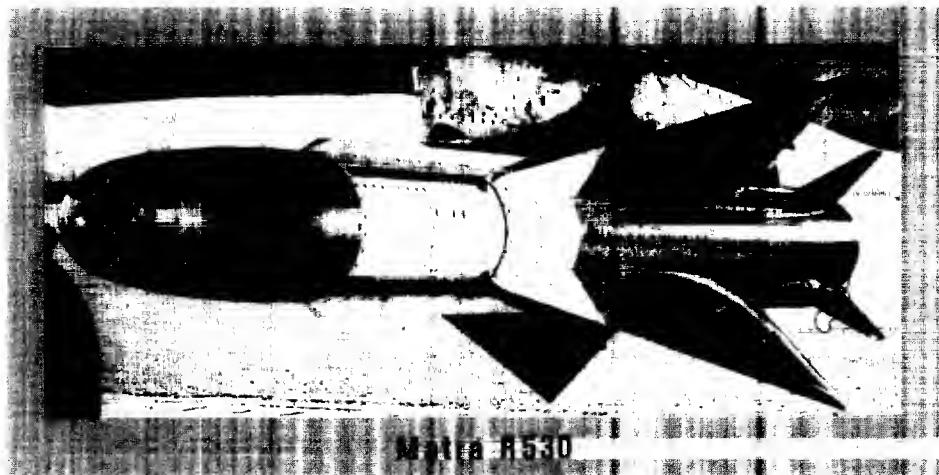
Senator John Wheeldon has been a sharp critic of US Indochina policy and of American defense and scientific installations in Australia. His election will ensure that the future of these installations will continue to be sharply debated within the party. Most immediately, Wheeldon's concern can be expected to focus on the proposal for the construction of an OMEGA navigational aid station in Australia. Although both Whitlam and Defense Minister Barnard are in favor of this project, they have to maneuver OMEGA around this and other left-wing roadblocks before parliamentary approval can be nailed down and the proposal submitted for cabinet approval.



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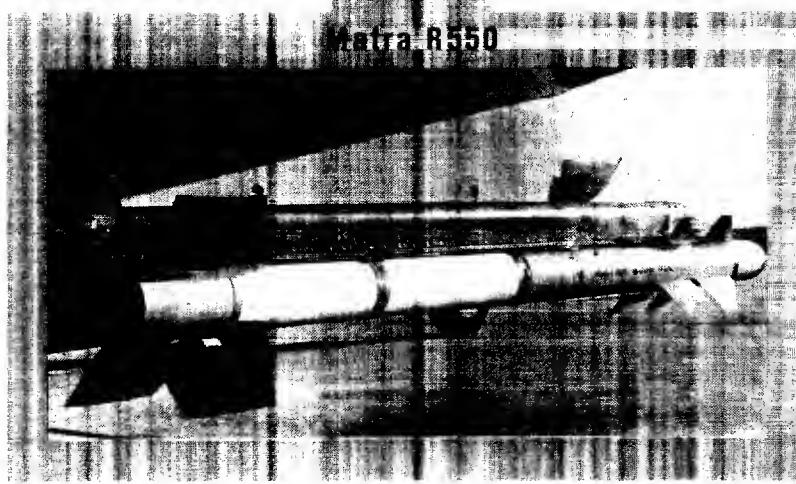
## Matra Air-to-Air Missiles



Length  
Weight  
Maximum speed  
Range  
Guidance

11.8 ft  
430 lbs  
Mach 3.0  
1.60-16 nm  
Infrared

about 8 ft  
175 lbs  
unknown  
6.5 nm  
Infrared



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LIBYA: Some aircraft in the Libyan Air Force are now equipped with French-built air-to-air missiles.

According to the French military counselor in Tripoli, Libya has been provided with Matra R530 missiles, and Libyan Mirage aircraft on strip alert at Uqba bin Nafi Airbase near Tripoli are armed with them. The counselor further stated that Libya probably also would receive the Matra R550 missile in the near future.

The Matra R530 will significantly improve the defensive capabilities of the Libyan Air Force. Until now, the only known armament on the Libyan Mirages was 30-mm. cannons. Acquisition of the Matra R550 will further upgrade these capabilities. The R550 is France's newest air-to-air missile and is scheduled to replace the US-built Sidewinder on French interceptors during 1973.

The French view the sale of arms to Libya as a logical continuation of France's policy of maintaining and developing close ties with the Arab states. Such sales to Libya do not contradict France's Middle East embargo policy, which is directed only at those states defined by Paris as belligerents in the 1967 war. Income for the French aerospace industry and access to Libyan oil are additional factors motivating France's willingness to satisfy some of Tripoli's military requests.

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NATO: The reluctance of the European members of the alliance to endorse collective measures to deal with terrorism was confirmed in the North Atlantic Council meeting this week.

They agreed that diplomatic representations to the Arab governments should be made by individual countries, that any other anti-terrorist activities undertaken by member states should not carry a NATO label, and that NATO should not duplicate the efforts of other organizations. The members also agreed to press for the completion at the next UN General Assembly of a convention on the protection of diplomats and to coordinate their strategy in the ad hoc committee on terrorism.

The foreign ministers of the European Community, who discussed terrorism last month, were similarly reluctant to take meaningful collective action. They agreed only to reactivate two committees that have been studying, among other things, ways of increasing the exchange of information on terrorist activities.

Most of the West Europeans feel that making concerted demarches to Arab governments would be unproductive at this point, several weeks after the Khartoum murders, and might cause substantial resentment. At the NATO meeting, the Belgian representative said that the NATO countries should not seem to be "ganging up" on the Arabs. At the EC meeting, several countries that had not been hard hit by terrorism expressed the fear that if they took part in collective action, they might become future targets.

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INDIA: The government's attitude toward private foreign investment appears to be softening. Senior Indian officials, who met recently with representatives of a US pharmaceutical firm, agreed to consider the 61-percent equity holding demanded by the US firm for its proposed expanded operations in India. The officials also promised a prompt decision. Previously, the government has tried to reduce foreign equity in Indian firms to no more than 40 percent.

Indian officials have indicated privately that New Delhi also intends to increase sharply minerals development, and to invite foreigners--including Americans--to invest in construction, design, and supply of equipment. New Delhi's existing policies have deterred foreign investors, and virtually no new net investment flowed into India last year.

A more flexible government policy resulting in increased private foreign investment may stimulate some growth in the industrial sector, which remains in the doldrums. This would be particularly important in view of recent government measures restricting domestic credit, which probably will have an adverse effect on the industrial sector.

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INDIA: P. N. Haksar, Prime Minister Gandhi's special envoy to Bangladesh, apparently has failed to persuade the Bengalis to drop their demand that Pakistani recognition of Bangladesh must precede the release of any of the 90,000 Pakistani POWs held in India. Moreover, the Bengalis, according to Bangladesh Foreign Minister Hossain, still plan to try some of the POWs for war crimes. Haksar apparently will not go to Islamabad, as earlier reported in the press, in light of his failure to achieve a breakthrough in Dacca. Mrs. Gandhi is concerned over growing foreign and domestic criticism that she is holding the POWs illegally, but she appears reluctant to put undue strain on New Delhi's good relations with Dacca by using the considerable leverage India could employ on Bengali leaders.

\* \* \* \*

TURKEY: The 25-day deadlock over the presidency ended yesterday with the election of Senator Fahri Koruturk. The 70-year-old former admiral received the necessary majority vote in the legislature on the 15th ballot, after Turkey's three largest parties agreed on him as a compromise candidate. He is reported to be a moderate who has avoided close contact with political parties since he was appointed to the Senate in 1968. Koruturk was commander of naval forces when the military overthrew the government in May 1960. Although not a member of the coup group--in fact he left the navy shortly after the revolution--he was named by the ruling junta to be ambassador to the Soviet Union in June 1960 and served there four years.

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EC-USSR: The EC Commission has approved the sale to the Soviet Union of 200,000 metric tons of butter from community stockpiles. The EC's growing butter stocks, now over 400,000 metric tons, were likely to exceed storage capacity by the end of the year, and the Commission argued that it was cheaper to sell butter at give-away prices than to stockpile it. The sale price, at \$400 a metric ton, is nearly \$370 million less than what the community paid for the butter, at \$2,244 a metric ton. This will likely further arouse the critics of the common agricultural policy. Still reluctant to deal directly with the Commission, the Soviets contracted for the butter through a French cooperative reportedly controlled by the Communist Party. As one condition for the sale, however, the Commission is stipulating that the consumer packaging clearly show the EC origin.

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